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RUEHRI/AMCONSUL RIO DE JANEIRO 4789
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RUEHBU/AMEMBASSY BUENOS AIRES 4919
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STATE PASS USTR FOR KATE DUCKWORTH
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TREASURY FOR OASIA - J.HOEK
USDOC FOR 4332/ITA/MAC/WH/OLAC/JANDERSEN/ADRISCOLL/MWAR D
USDOC FOR 3134/ITA/USCS/OIO/WH/RD/SHUPKA
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SUBJECT: BRAZIL: U.S. TREASURY SECRETARY PAULSON MEETING WITH FOREIGN MINISTER AMORIM

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¶1. (SBU) Summary: Foreign Minister Amorim emphasized to Secretary Paulson in their July 11 Brasilia meeting the significance Brazil places on regional infrastructure integration. Paulson noted the importance of bringing in the World Bank to this discussion. On trade, Amorim stated that even though FTAA "didn't work" and Mercosul is still working to "digest" Venezuela, Mercosul remained interested in a market-access only free trade agreement with the U.S. The Secretary responded that his highest priority on trade was Doha. End Summary.

¶2. (SBU) After an initial one-on-one session, Minister Amorim and Secretary Paulson continued their discussion of infrastructure,

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trade and financial issues in a broader session. Amorim noted in the general meeting that they had discussed trade and a possible debt swap under the Tropical Forest Conservation Act (TFCA).

¶3. (SBU) Amorim noted the GoB's keen interest in implementing the vision of infrastructure investment and integration voiced at the Camp David summit between presidents Bush and Lula. Amorim said Brazil and South America are trying to do what the United States did in the 19th century: unite the two oceans with trans-continental transportation links. We know, Amorim said, of the interest of U.S. companies in participating in what may be a new railway boom in South America. Perhaps we can find ways to associate U.S. and Brazilian companies to qualify for U.S. financing as well, he added.

¶4. (SBU) Paulson noted that the Ambassador has been a strong advocate for Brazil on the question of infrastructure. I believe that access to infrastructure is key to many development issues, Paulson said. He related that the President of the Brazilian Development Bank BNDES, Luciano Coutinho, had discussed with him the idea of strategic infrastructure finance over dinner the previous night. In his former job in private business, Paulson said, he had seen a lot of time wasted on project finance deals that failed because the conditions were not right. Paulson said he would like to do more at Treasury on these issues as well as find ways to bring

into the dialogue institutions such as the World Bank. There were also environmental issues to be considered, Paulson noted, as Coutinho had mentioned that the cost of a railroad from the Atlantic to the Pacific would probably be US\$3 billion more than of a road linking the two, but there was little doubt a railroad would be environmentally less harmful.

¶ 15. (SBU) Turning to trade issues, Amorim stated that even though FTAA "didn't work" and Mercosul is working to "digest" Venezuela, Mercosul remains very interested in a market-access only agreement with the United States. This approach would leave the more difficult issues of "rules-making" to the WTO but still advance the cause of freer trade, he argued. Amorim stated that EU-Mercosul negotiations may be re-started in the near future. Paulson responded that on trade, his highest priority is successful conclusion of the Doha Round.

SOBEL